

Orane Report

Report of the
Task Force to Reduce Waste
in the
Public Sector

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EXECUTIVE SUMMARY

The Government of Jamaica has been attempting to reform the Jamaican public service for the past two decades, with little success. Many reports with excellent recommendations have been written on the subject, but progress has been slow, and very little tangible results have been seen.

The appointment of the Task Force to reduce waste in the public sector came against the background of Government's urgent need to reduce public expenditure, and improve the efficiency of the public service in order to support its objective for achieving economic growth.

The Terms of Reference required us to, *inter alia* **“Conduct a review of certain aspects of the operations of Government and make recommendations to improve their efficiency and effectiveness.”**

Our findings indicate generally that:

- The incidence and areas of waste are widely known throughout the public sector.
- There is an unwillingness to accept the reality of how much of a crisis exists within the public sector.
- There is a lack of accountability throughout the public sector including the top echelons of the public sector and the political directorate.
- Much of the waste and inefficiency occur because there is no culture of economy and/or efficiency.
- Though regulations exist to reduce waste and inefficiency, compliance is weak due to lack of proper management practices.

The Task Force believes that:

- There is an urgent need for a culture of accountability to be instituted throughout the public service, starting at the top with the Political Directorate.
- A new approach is needed to accept the severity of the crisis with openness and honesty.
- A plan of action with individuals responsible for the activities needs to be developed and implemented.
- The process of change must be led from the top.
- Ministries must develop very clear performance targets and Ministers and Permanent Secretaries must be held accountable.
- There has to be a major change in the system of rewards and sanctions.
- Ministries and departments should benchmark themselves against best practice in other countries.

Our recommendations are accompanied by an action plan with implementation dates to spur action and exact accountability. We believe that implementation of these recommendations will change the culture of inaction and create a sustained commitment to improving the way Government works.

Findings and recommendations on the seven specific areas mentioned in the terms of reference are set out in the report as follows:

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Indicative savings from these recommendations are estimated at \$1,118 million in FY 1999/2000, \$2,386 million in FY 2000/2001 and \$2,514 million in FY 2001/2002.

However, since the Task Force, in the limited time available, has only been able to investigate a small sample of the vast array of public sector activities, the savings indicated are only an example of what the potential savings might be.

SECTION I

ACKNOWLEDGEMENTS

The Task Force wishes to acknowledge the contribution of the following persons in assisting it to carry out its task.

Lloyd Brown, Rose Henry and Beryl Miller from Ministry of Finance and Planning, the staff of Grace, Kennedy & Co. Ltd., especially, **Mark Anderson, Nerissa Brown** and **Monique Sinclair** who assisted us with the analysis of the data collected, **Mendez Josephs, Lavern Llewellyn** and **Arlene Lym** who provided administrative support, **Hugh Harris** and **Elvis Gregory** of the Jamaica Public Service Company Ltd. for providing specific data and **Corina Meeks** for editorial services.

SCOPE AND LIMITATIONS

Limitations of time did not allow for the Committee to do in-depth studies of all the areas specified in the Terms of Reference. Our recommendations therefore are intended to provide the framework and an approach to action by the responsible persons in the public service.

The Task Force is aware that the statutory bodies and public corporations consume a sizeable chunk of the Government's budget. Although we concentrated our efforts on the central Civil Service, we are fully aware that many of our comments will probably be just as applicable to other public sector entities as they are to the central civil service. In respect of the Public Sector Entities we recommend that the following report be revisited:

Report of Committee Appointed to Examine and Make Recommendations to the Jamaican Government to Improve Efficiency and Accountability of Public Sector Entities, *Thorburn, 1995*

APPROACH

We are convinced that the civil servants themselves are most knowledgeable about the problems and in many instances can offer the solutions; so in carrying out the task assigned, we consulted the leadership of the Civil Service, the public sector worker representatives through the Joint Confederation of Trade Unions and the public sector workers directly through focus groups, as well as other key personnel in the specific areas identified in the terms of reference. (See Appendix I). Many valuable suggestions were made by the public sector staff in two focus groups arranged by the Task Force. (See Appendix II).

In keeping with our firm belief that what is needed now is action, in addition to the recommendations, we have also developed a Plan of Action with time lines to spur action.

SECTION II

ASSESSING THE TASK

The Prime Minister in his address to Parliament on Tuesday, November 3, 1998, stated “Wasteful and inefficient use of resources must cease. We cannot enter a new budget year without tackling these problems. We have to ensure that as a Government, we have to get better value for every dollar that we spend.”

It is against the background of the Government’s need to reduce expenditure and improve the efficiency of the public service, (See Appendix III) that the Prime Minister announced the establishment of this Task Force drawn from both the Public and Private Sectors.

The Terms of Reference are shown at Appendix IV

The Members of the Task Force are shown at Appendix V

Our investigations have made it abundantly clear that the incidence and areas of waste in the Government are widely known. We must inevitably therefore seek to answer the obvious question, “Why has no one dealt with them?” The need for an answer has become even more compelling because report after report submitted to the Government by various task forces and committees on this subject all give sound advice on how to proceed, yet progress has been painfully slow.

The following quotations from earlier reports illustrate the point.

“Many diagnostic studies have been conducted on the Jamaican Public Service. An Administrative Reform Programme (ARP), ongoing since 1984, has had disappointing results. Public faith in the process of governance is steadily declining. From this experience it has been concluded that the machinery of Government is in urgent need of drastic restructuring; that the processes of public administration need to be redirected. Restructuring must start with the identification of priority issues relating to structures, personnel, policy and external relationships. Meaningful reform results would be best achieved in a framework [of] consensus, participation and flexible adaptations, fortified by ‘political will’.” *Report of Committee of Advisors on Government Structure, Nettleford, 1992*

“Processes of governance are thus fettered by.....lack of urgency in policy implementation, inattention to norms of accountability as well as commitment to outmoded personnel practices and approaches.” *Nettleford Report, 1992*

“There is unanimity on all sides that the situation, some call it crisis, calls for urgent action to avoid impending disaster. But no one could point to where the authority and competence lies which could initiate and carry through that action. Still, more consultants/advisers working in various ministries are not the answer. The problem lies at the centre and top of the Government of Jamaica - and here there is a void, a black hole, where there should be authority and skill, command and control. That, in our judgement, is what is wrong.” *Report of UNDP Management Development Programme Mission to Jamaica, Stowe and Morgan, 1991*

“There are many reports looking at the systems, well written and well argued, both by Jamaicans and by outside observers. What is missing is effective implementation. Even where the necessary decisions have been taken, for example on the administrative reform programme, the pace of change and the attention from the senior civil service has been wholly inadequate to overcome institutional inertia and mistrust. What is needed is a means of demonstrating substantial changes quickly so that further change becomes less difficult.”
Jamaica Public Service Reform, Kate Jenkins, 1994

“The lack of action in key areas called into question the commitment to reform at the high levels of Government.” *Project Completion Report, Jamaica, Public Administration Reform Project, 1995*

It is therefore evident that a phenomenon of organisational paralysis exists where large numbers of people know what the problem is, know what the options are for solutions yet very little if any implementation takes place.

A piece of advice from the Stowe/Morgan report reproduced above is still clearly appropriate: **“.....more consultants/advisers working in various ministries are not the answer.”**

This Task Force endorses this statement and in recognising the endemic inertia in the system, recommends a method by which we may begin to solve this problem.

Later in this report we make our recommendations on specific areas mentioned in our terms of reference. However, this will be to no avail unless we break out of our

culture of inaction. A symptom of our failure as a nation in this regard is the seemingly unending stream of committees, task forces, consultants and advisors to study this subject. A future measure of the success of our task force's efforts will be that ours will be the last one appointed on this subject.

SECTION III

HOW TO BREAK OUT OF A CULTURE OF INACTION

It has become very clear in the process of the Task Force's work that in practice a culture of lack of accountability runs deep within the Public Sector. This is not unique to the Public Sector, as it is a phenomenon that exists throughout our society.

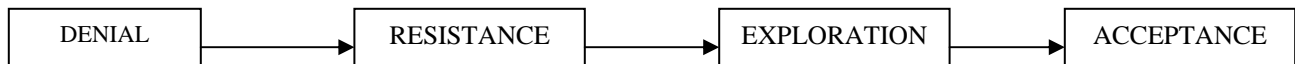
The Task Force is of the view that unless we can begin to change this deep seated problem, there can be no meaningful reform at any level in the public sector.

It is very clear that a deep crisis now exists, the manifestations being a combination of the following:

1. A large fiscal deficit with little consensus as to its solution.
2. Negative economic growth with little consensus as to the solution for regaining growth.
3. Crime threatening the quality of life of the citizenry and threatening earnings in the tourism industry.
4. An international capital market that prices emerging market debt at extremely high levels in response to economic crisis in regions such as Asia, Russia and Brazil, making it more difficult and costly for Jamaica to borrow overseas.
5. A decline in the country's social capital evidenced by increasing mistrust between organisations and individuals.

Ironically, the presence of this crisis provides a window of opportunity for taking bolder actions than in the past because there is now a greater sense of urgency.

In managing massive and potentially disruptive change in organisations, all participants have been found to move through a clear continuum of behavioural stages, namely -



(See Appendix VI)

Despite the fact that administrative reform has been discussed and studied in the Public Sector for the last two decades, it appears that many key individuals are still stalled in the first phase of this process, which is that they are in a state of denial. What this means in simple terms is that there is an unwillingness to accept the reality of how much of a crisis exists within the Public Sector. Very often this can only be overcome by a shock to the system. One example of this is the Government's reduced ability to make payments on time to Public Sector staff for allowances. However, a more effective and proactive way is for the leadership within the Public Sector to admit the depth and severity of the crisis to Public Sector members, and assist them to work through the different phases required for major change management, as quickly as possible.

It is inevitable that there will be resistance, anger, and possibly depression displayed by those involved, before a more positive process of rebuilding and a more effective method of working together is developed. This requires courage and resolve on the part of the leadership in the Public Sector at the most senior levels of the civil service and the political directorate. **If this issue is not tackled head on now, then further delays and inaction will only make the possibility of future change more costly and traumatic, as the alternative course of action is a retreat into our traditional ineffectual approaches of incrementalism and tinkering.**

There is an urgent need for a culture of accountability to be instituted throughout the public service, starting at the top with the Political Directorate. This change cannot be led from outside, although assistance may be needed from external sources to help to guide the process.

In 1993 the US Government carried out a similar initiative named “From Red Tape to Results - Creating a Government that Works Better and Costs Less”. It was personally led by Vice President Al Gore underlining the contention that for success, the driving force must come in a consistent and continuing manner from the top.

There is a sense among the population, particularly the younger members, that it is better to level with them in all honesty as to what our current situation is and to set out the choices starkly and clearly rather than to skirt the nub of the substantive issues. This provides a window of opportunity for taking bolder actions than in the past, accompanied by constant two-way dialogue with those affected.

In tandem with a new approach to accepting the severity of our crisis with openness and honesty, an essential step is to develop and implement a plan of action with specific individuals responsible for the activities needed to make the various components of the Public Sector more effective through greater accountability. Otherwise, the specific recommendations made by the Task Force on the seven areas of expenditure highlighted in the terms of reference are unlikely to be implemented on a timely basis, if at all.

PLAN OF ACTION

The following plan of action is recommended.

*Implementation
Date*

- | | |
|--|---------------|
| <ul style="list-style-type: none">➤ The Prime Minister should appoint a senior member of the political directorate at Cabinet level to spearhead the drive to have a paradigm shift to increased accountability within the public sector.➤ This senior member of the political directorate should appoint a small team to implement accountability. To do so the team will have to develop a work programme of specific dates for implementation and responsibility. As a basis for this work programme, the Stowe report of 1991 should be used since implementation of the excellent work programme proposed had commenced, but has not been completed. | February 1999 |
| <ul style="list-style-type: none">➤ Ministries and Government agencies should benchmark themselves against comparable public sector entities with best practice elsewhere, both locally and overseas.
Some examples:<ul style="list-style-type: none">• Police response to emergency phone calls in a small city in the USA 5 minutes• Transfer of real estate title in Florida 24 hours• Licensing a car in Massachusetts 10 minutes• Delivery of local mail from time of posting within the UK 48 hours | June 1999 |

- Patients seen at casualty in Wales 5 minutes
- Small building project approval in Thailand 2 weeks
- All approvals for large scale investment projects in Costa Rica e.g. Intel Plant 4 months
- Settling a civil matter through the courts in the UK 1 year
- Number of dollars paid to doctors out of every \$100 spent on hospital services in the UK \$14
(Comparable figure in Jamaica is \$30)

Benchmarking can also take place relative to exemplary practice elsewhere in Jamaica. For example, the time taken to pay taxes at a revenue office should be ten minutes or less, the same time it now takes to pay a phone bill at Cable & Wireless.

Another benchmarking example is the ratio between central overheads and the cost of delivered benefits in major ministries in other countries comparable to our Education, Health and National Security Ministries. In one outrageous example disclosed, it cost a Ministry \$3.6 million in administrative overheads to disburse \$900,000 worth of benefits to the poor! 20% of the total cost reached the beneficiaries.

	<i>Implementation Date</i>
<ul style="list-style-type: none"> ➤ Very clear performance output targets must be set for each Ministry in terms of quantity, quality and timing. These should be published and the relevant Minister and Permanent Secretary must accept personal responsibility for these performance objectives. 	April 1999
<ul style="list-style-type: none"> ➤ The Prime Minister will need to hold Ministers of Government accountable for deliverable performance objectives. A managing director of a subsidiary in a group of companies performing against objectives is rewarded or sanctioned accordingly by the Group Chairman. A similar process needs to be explored and established between the Ministers and the Prime Minister. 	May 1999
<ul style="list-style-type: none"> ➤ A system of evaluation needs to be established in Cabinet whereby each Minister and his/her Permanent Secretary participate in quarterly performance reviews to assure the Prime Minister that programmes are on track, and if not, that corrective action is being taken. 	May 1999
<ul style="list-style-type: none"> ➤ Public sector employee buy-in has to be achieved. Therefore, the widespread and frequent dissemination of information on performance objectives and actual results is a necessity. Multiple channels of communication need to be used, such as, reports, notice boards, staff 	Ongoing

meetings, information interaction, performance reviews and social functions. If the energy and ingenuity of all public sector staff can be engaged for performance delivery and waste reduction then an exponential improvement in results will take place. Since staff are sensitive to and wary of double standards, absolute honesty and candidness in information disclosure are essential prerequisites at this stage.

An important element of changing cultural behaviour is to change the perception of who is responsible for the existence of one's job. In a business the challenge is to demonstrate to the employee that it is the customer who provides the company with money to pay salaries and wages, not the boss. In the public sector the challenge is to recognize the taxpayer as the customer and ultimate provider of every dollar of remuneration and benefits to public sector employees. The paradigm shift is to feel one is working for flesh and blood customers (named taxpayers) rather than for some amorphous entity called "Government".

One important step in this direction is to regularly make public the performance ratings of publicly owned entities for example, the comparative performance ratings of schools, the relative performance indicators for hospitals and, the relative crime statistics for each police station.

- In a publicly traded company, the directors account annually to the shareholders and answer questions at the Annual General Meeting. A similar public forum should be developed for each Minister, his Permanent Secretary and other senior civil servants to account annually for their stewardship within four months of the end of each financial year. The law already exists requiring Ministers to report on Government entities to Parliament, but this is rarely, if ever, respected in terms of timeliness. Parliamentarians can ask questions, but the public has no direct access to do so. A forum needs to be established to be the “AGM” for each ministry which is open to the public, and provides for dialogue between “shareholders” and the public sector entity.

July 1999

As part of changing behaviour regarding accountability at the top, a major change needs to occur regarding rewards and sanctions. In a well-run group of companies, each manager of a subsidiary knows that excellent performance is rewarded, non-performance leads to sanctions and continued non-performance ends in removal from the post. Security of tenure is not guaranteed. **In a similar manner, the security of tenure of Permanent Secretaries who are comparable to the Chief Executive Officer of a large business, will need to be removed and traded off for potential rewards for excellent performance.** A system of vesting prior years’ benefits should be instituted at the point when senior civil servants are being elevated to the equivalent position.

September 1999

	<i>Implementation Date</i>
<p>of CEOs. This would mean that if a senior civil servant is removed from the equivalent position of CEO for non-performance s/he would leave the civil service, but not lose the benefits garnered in the years preceding ascension to the top post.</p>	
<p>➤ The Task Force has read and vetted the draft on accountability for Permanent Secretaries and Heads of Departments and endorses that this be implemented forthwith.</p>	April 1, 1999
<p>➤ In a similar manner, a clear signal will need to be sent that holding a ministerial position requires performance measured against clearly articulated objectives. Failure to meet these will result in sanctions and repeated failure will mean removal from the Cabinet.</p>	
<p>➤ The Task Force has read and vetted the Executive Summaries of the Strategic Performance Reviews of the Ministries of National Security and Justice, Health and Education and Culture. We find their recommendations excellent and completely in keeping with our own report and suggest that they be implemented forthwith.</p>	Commencing February 1999

It is not possible for the existing culture of inaction to change unless the issue of top management accountability is addressed frontally, because that is the final point of accountability. This will require substantial political courage. The Stowe Report of 1991 makes the point explicitly **“The problem lies at the centre and top of the Government of Jamaica – and here there is a void, a black hole, where there should be authority and skill, command and control. That, in our judgement, is**

what is wrong.”

The Jenkins Report of 1994 explains why there is a hesitancy to act. **“There are two major political stumbling blocks. The first is that the Government are not sure how to achieve successful implementation of their policy. The second is that as individuals, rather than as a government, they do not like the full implications of the policy. It will inevitably reduce employment, limit patronage and involve changing or abolishing established institutions which may well be politically unpopular.”**

TOWARDS A WORK PROGRAMME

A work programme needs to be set out to chart the changes. We could re-invent the wheel by setting this all out again but the Stowe Report did so succinctly in 1991, *seven years ago*. This is reproduced below with minor modifications and indications as to which measures have been implemented.

	<i>Implementation Date</i>
<p>“These precepts, coupled with the concerns set out above, suggest to us an approach to the reconstruction of the role, structure and functioning of government on the following lines:</p>	
<p>1. The first priority is to get the machinery at the centre right, i.e. to fill the void, by establishing a capacity under the Prime Minister’s personal authority to command and control the determination of strategy, and the deployment of resources – money and people - to implement it.</p>	Not implemented
<p>2. The Prime Minister’s Office (OPM) should therefore house a strengthened Cabinet Secretariat enhanced so as to take on (a) full responsibility for bringing together issues which bear on the government’s strategy and presenting them to Ministers, via the Prime Minister, for collective decision, (b) the lead role in corporate planning for the government as a whole, and (c) monitor and as necessary direct the implementation of policy. The holder of this post should be designated Head of the Civil Service.</p>	Implemented

	<i>Implementation Date</i>
<p>3. Responsibility for the size, structure and functioning of the Public Service should be in the OPM. The Prime Minister should be formally designated Minister for the Public Service, and supported by a senior Minister with the authority to implement the Reform Programme in the Public Service.</p>	Not implemented
<p>4. In addition to the functions transferred to it from the Ministry of the Public Service, the OPM should be equipped with a small central capability for initiating and directing reform - a Task Force for reviewing the role, structure and functioning of the government machine. It should have a Leader/Director at Permanent Secretary level recruited by open competition.</p>	Partially implemented
<p>5. The reconstruction of the centre on the lines set out in (1) – (4) above would necessitate some changes in the senior personnel. The remit of the Task Force would be in broad terms, as indicated above. The Cabinet would, however, give it riding instructions which, we suggest, should include at least the following:</p> <p>a) the functions of government would be confined to what government alone can and should do. The rest should be privatised or stopped;</p> <p>b) all services purchased by Ministries, from catering to building maintenance and printing, should be purchased by competitive tender from the private sector;</p>	Partially implemented
	<i>Implementation</i>

Date

c) the thrust of reform should be towards delegation and decentralization, coupled with accountability for performance measured against agreed objectives – this would point to smaller departments exercising policy guidance over agencies rather than to larger comprehensive departments. It would also achieve a clear relationship between agencies and Ministers with specific definition of each agencies’ obligations.

6. Concurrently with its review of structures, the Task Force should launch and oversee an Efficiency Initiative under which each Minister and Permanent Secretary would be required to set specific targets for cost-reduction and service improvement in some part(s) of their Ministry, for approval by the Task Force. Progress should be monitored.

7. Project Management should be reviewed separately, and urgently starting from an analysis of some of the recent failures drawn to our attention.

Not implemented

Not implemented

*Implementation
Date*

The Task Force should be required to produce within (4) weeks a scheme for engaging the direct interest of a cadre of senior figures from the private sector as advisors to the Task Force itself and to all Ministries on how to bring in appropriate business methods of government, taking account of the work of the Matalon committee.

Not implemented

Finally, the Task Force should assume responsibility for the integration of the World Bank supported projects under ARP II within the overall reform programmes.”

No longer applicable ARP II programme terminated

What the Stowe Report refers to as a Task Force is in reality a project management team comprised solely of members working full time within the public sector. This differs qualitatively from the type of ad hoc task force which has been increasingly used to try and solve the problems of administrative reform, such as, our own Task Force. A full time project management team is an essential ingredient for success.

On reviewing these excellent recommendations by Sir Kenneth Stowe, it becomes clear that some recommendations have been implemented; others have been implemented in a piece meal fashion and have not borne fruit while others have not been implemented at all. An example of this is the recommendation for a smaller, more streamlined and effective public sector. The reality is (as shown in the graph at Appendix VII) that since 1991, public sector employment has increased, not decreased.

In the limited time frame within which the Task Force worked, we were

unable to investigate fully the Public Sector Modernisation Project which is one notable development which has emerged from the recommendations for reforming the public service. We understand, however, that under the leadership of the Cabinet Secretary, the Project has been spearheading the drive towards increasing efficiency in the provision of public services by transforming service delivery entities into Executive Agencies, a model used in other countries including, The United Kingdom, New Zealand and Canada. The first four of seventeen proposed Executive Agencies will become fully operational in April 1999.

GOVERNMENT COMPANIES

The Task Force while agreeing with the Stowe recommendation that Ministries exercise policy guidance over agencies, suggests that the Government should also review the manner in which Government special purpose companies are set up. Some tend to be set up as ordinary private sector type companies which are not restricted by their Articles and Memorandum of Association relating to the objectives of the Government. These Boards of Directors are autonomous and are not required to carry out policy directives of the Minister. In fact, in such cases, the Minister does not actually have the right to appoint the directors as happens in practice. This right rests with the shareholders which in most cases means the Accountant General. We recommend that the Articles and Memorandum of special purpose companies be amended to restrict the operations of the companies to achieving the objectives for which they were created and to making the Board accountable to the Minister.

March 2000

SECTION IV

FINDINGS AND RECOMMENDATIONS ON SPECIFIC ISSUES IN TERMS OF REFERENCE

a) RENTAL AND SPACE UTILIZATION IN MINISTRIES AND DEPARTMENTS

Total rental costs for Ministries and Departments for the following periods are listed below:

Period	Amount (\$'000)	Percentage Increase
1996/97	624,013	
1997/98	690,527	10.65%
1998/99	745,221(budgeted)	8.0%

The table indicates the rising cost in rental paid by the Government in a time when there is a reduction in the demand for office space and an increase in availability.

There is no clear policy and/or guidelines on renting versus purchasing, nor are there established standards for determining the size of offices and work areas. Traditional notions of hierarchy and status and in many cases vanity, are the main determinants in providing accommodation and allocating space.

As is the case with other decisions relating to the spending of public funds

economy is not high on the list of considerations. Consequently no rigorous research and investigation or negotiations are generally undertaken to get the best deal and value for money.

Our analysis of information provided on rental and space utilization in Ministries and Departments indicates a wide disparity in the cost of rental per square foot as well as in the square footage occupied per person. Of the Ministries that rent properties, costs range from a high of \$434 per square foot in the Ministry of Mining and Energy, to a low of \$74 per square foot in the Ministry of Local Government, Youth & Community Development.

The Prime Minister's Office and the Ministries of Industry and Investment, Environment and Housing and Agriculture accounted for the most square footage per person. These stand at 434, 288, 265 and 237 respectively (See Appendix VIII). The Ministries of Industry, Health and Mining had the highest per person rental. These stand at \$9,435; \$6,784 and \$5,230 per person respectively.

The sole criterion for determining how much space is allocated to staff appears to be the position of the person in the hierarchy. It is an accepted "rule of thumb" in the Civil Service that space allocation should reflect the position and personality of the individual. For example, tradition dictates that a Permanent Secretary's office should measure approximately 16' x 20'; a Middle Manager's 12' x 12'; a typists' 6' x 7' and officers at the clerical level should be in an open office with low partitions. The overriding consideration appears to be to satisfy those in the upper echelons of the organisation. Consequently, it

would not be unusual to go into some offices and find Ministers and Senior Civil Servants sitting in huge office suites which are oftentimes underutilised. Conversely, staff who interface frequently with customers are crowded into little “cubby-holes”. Whilst many senior civil servants will admit that they do not require all the space allocated, they will “fight to the death” to keep it.

A good example of judicious use of office space can be seen at Grace, Kennedy’s Corporate offices at Harbour Street, Kingston.

The staff of Grace, Kennedy were housed in different locations and had an average occupancy of 185 square foot per person. By moving to an open office plan and abandoning private offices, they were able to decrease the square footage occupied per person to an average of 130 square foot with a major increase in productivity; the space includes having more facilities for meetings and additional training rooms.

N.B. The Chairman and CEO of Grace, Kennedy no longer has a private office and his work station area is 10’ x 10’.

What is needed is a reversal of the “status culture” which promotes the idea of the size of the office as an indicator of one’s importance and position in the hierarchy, and a move towards making the best use of the space available, while paying attention to the needs of both staff and customers.

RECOMMENDATIONS

1. A ceiling be put on the square footage per person that Ministries and Departments should rent.
2. At least three quotations should be obtained from prospective landlords. These should be reviewed by a small committee in the organisation so that decisions are made rationally and with due consideration for achieving value for money.
3. A space rationalization strategy to be developed for public sector entities. The Grace, Kennedy example given can be used as a guide.

b) **PUBLIC UTILITY USAGE AND CHARGES**

At first glance, it appears from the information obtained in relation to water and electricity charges, that expenditure is fairly well controlled, having recorded only marginal increases of 6% and 5% respectively, over the period 1996/97 to 1998/99. Over this period, apart from the impact of foreign exchange movements there has been no change in rates. However, in relation to telephone usage and charges there is a contrasting picture of escalation in costs with an average annual increase of 22% over the same period. This may be partly reflective of telephone usage patterns and a restructuring of its tariffs done by Cable and Wireless in 1996.

On examination of the overall amounts budgeted for utility charges as well as the arrears situation, it is evident that there are serious problems in or affecting some Ministries/Agencies in relation to inadequacy of budgets/warrants, allocation of funds within Ministries and/or uncontrolled use of the utility services.

Ministries/Agencies/Sectors showing poor payment/ usage performance are:

Re: Electricity: National Irrigation Commission
Ministry of Health – Hospitals

Re Water: Ministry of National Security – JDF and JCF
Ministry of Environment and Housing - Standpipes

Re Telephone: Ministry of National Security

Energy Efficiency/Conservation

In order to determine how to save energy an end-use profile is necessary. This is one of the primary objectives of energy audits. Once these are identified, energy-efficiency measures (EEMs) can be screened and applied to each area.

Energy Efficiency Building Code (EEBC)

The Jamaica Bureau of Standards has developed a building code as a guide to energy usage. This code has not yet been promulgated and this is unfortunate as the experience worldwide is that unless the code is enforced, designers do not employ energy efficient practices.

Environmental Stewardship of Government Operations

There is also some scope for merging any thrust towards more efficient use of utilities under the umbrella of Environmental Stewardship of Government (or Greening of Government) as is being led by the Ministry of Environment and Housing. It is to be noted however that the project as defined (i.e. ENACT) is limited by the relatively low level of funding (Cdn \$218,000) and hence is concentrated mainly on training, data gathering and documentation.

Other sources of funding may be available to help in expanding this initiative. It should be noted that financing is available through the Jamaica Pre-investment Programme (JPIP), administered by the Planning Institute of Jamaica for undertaking energy audits. These audits can then form the basis for project proposals seeking funding from international donor sources such as the European Union, with an interest in the “greening” of the Government and environmental management.

RECOMMENDATIONS

1. More realistic budgeting coupled with greater accountability for cost-effective spending within the Ministries/Agencies. This must be the main ingredient in the thrust for better cost control and waste avoidance.
2. Explore and implement ways of utilizing available technology for improving the monitoring/managing of telephone usage in large Government offices. In addition, greater use of e-mail instead of the telephone should be encouraged.
3. In competitive environments overseas, Missions and Agencies should use the most cost effective telephone service carrier.
4. Aggressively expand the programme to effect greater Environmental Stewardship in Government Operations with an emphasis on energy efficiency and including:
 - i) Developing a financing plan and implementation strategy
 - ii) Conducting energy audits at facilities
 - iii) Establishing procedures and guidelines for -
 - Purchasing and installation of efficient equipment
 - Proper maintenance practices
 - iv) Enforcing the Energy Efficient Building Code issued by the Jamaica Bureau of Standards for all new Government buildings still to be constructed and promoting the adoption of the code by private sector.

c) **ALLOWANCES (OVERTIME, SUPPER, SPECIAL DUTY ETC.)**

There are over 90 different allowances paid to public sector workers.

The Health Groups have approximately 30 allowances with the Medical and Veterinary Group accounting for 16. The Police Groups have approximately 17 allowances and the Teaching Group has approximately 9 allowances. These do not include those allowances that are common across the Civil Service.

Some of the factors that have led to the proliferation of these allowances are:

- The circumvention of wage guidelines and taxation policies.
- Fixed relationships which prevent movement in salary violating established parities.
- Expediency i.e. to secure speedy wage settlements and prevent industrial unrest.

In the fiscal year 1997/98 the government spent in excess of \$8B on allowances. Of this amount; the Police Groups account for \$1.5B, the Teaching Group for \$2.8B and the Health Groups \$1.7B.

These allowances are at times significantly above the basic salary of an employee. For example, a Junior Doctor at a type 'C' Hospital with a basic salary of between \$650,000 and \$800,000 can earn between \$1M and \$4M per annum in overtime payments. This is directly related to the terms and conditions of employment and the management practices that are currently in place.

Medical officers work 8:00 a.m. to 4:00 p.m. Monday to Friday and are paid either emergency duty/on call allowances for work beyond those hours. This allowance is paid as long as the doctor's name is on the emergency duty roster. What this means is that they are paid, regardless of whether they are required to work or to have a physical presence in the hospital.

The Health Services must operate 24 hours a day seven days a week. The terms and conditions of employment should reflect this reality rather than the conventional 8:00 a.m. to 4:00 p.m. and overtime for hours worked beyond that time. The same applies to other services such as the Jamaica Fire Service and Correctional Services. It is in nobody's best interest to continue this kind of arrangement. This practice must change. Buying out this restrictive practice could be a solution to this problem. A good example is the situation at the Port of Kingston where the employers solved a similar problem by this method.

The problems associated with the multiplicity of allowances are many and varied -

- each bargaining group tries to get as many of the allowances as possible for their particular group and sometimes agreements are made to avoid industrial action.
- it is difficult to predict with any degree of accuracy the total costs over a given period.
- staff in accounting departments in particular, Ministries of Health and National Security and Justice spend many hours (overtime) calculating individual payments.

- The many policies, rules and regulations together with lack of information and poor record keeping often result in erroneous payments which have to be recovered.

There is general consensus on the part of the Government that most of the allowances can and should be absorbed into basic salary. What is needed now is for definitive action to be taken by the Ministry of Finance to negotiate with the other stakeholders and simplify the salary structures. The Government is currently negotiating new wage contracts with Public Servants for the period 1998/99, 1999/2000 and this should form an integral part of those negotiations. Timing is crucial so action must be taken now.

RECOMMENDATIONS

1. That the Ministry of Finance renegotiates the terms and conditions of employment of all groups. Special emphasis should be placed on those groups in the Education, Health, Security and Fire Services.
2. Streamline/simplify the collective bargaining process by rolling most allowances into salary.

d) **TRAVELLING**

Overseas

Foreign travel expenditure for 1998/99 is budgeted at \$165.6M. This represents an increase of 97.9% over the actual for 1996/97 and a decrease of 6.1% over the actual for 1997/98. The Ministries of Finance and Planning, Foreign Affairs and Foreign Trade and the Office of the Prime Minister over the past three years have contributed significantly to the actual expenditure. Collectively they account for approximately 57.5%, 27.3% and 41.6% of the total expenditure on overseas travel over the periods 1996/97, 1997/98 and 1998/99 respectively.

There is general agreement that the size of delegations travelling overseas is too large. One contributing factor is the practice of including specialists in a delegation.

What is required is a system of determining the optimal number of delegates for any mission which is consistent with effective performance for defined goals. These delegates should be provided with adequate written briefs well in advance so that fewer travelling specialists are required.

Sufficient use is not made of personnel in overseas missions and there is a general lack of co-ordination between ministries organising overseas delegations and the Ministry of Foreign Affairs and Foreign Trade.

In addition, not enough use is made of modern technology in conducting business with overseas counterparts.

RECOMMENDATIONS

1. Placement of personnel with the right skills and expertise in overseas missions and utilising them more effectively.
2. Adequate preparation including well written briefs should be made well in advance of departures of missions to ensure delegates are able to cover more than one area and therefore delegations would be smaller.
3. Greater use of teleconferencing supported by fax and e-mail.
4. Greater collaboration between Ministry of Foreign Affairs and other Ministries obviating the need for so many officers to travel from Jamaica.

Domestic

The need for domestic travel should be driven solely by the nature and extent of the services provided by the Government ministry/department within the context of its mandate. Therefore, we believe that substantial savings in expenditure on domestic travel will result from the implementation of the recommendations in this report. The recommendations for greater accountability and the setting of clear performance output targets are of particular significance.

Other Related Travel

If the newly implemented and, so far successful Eastern Kingston public transportation system is extended to the rest of greater Kingston (including St. Catherine) the Task Force is of the view that the existing Government of Jamaica staff bus system should be discontinued. This would result in the saving of the associated maintenance costs.

e) **RATIONALIZATION OF GOVERNMENT OVERSEAS MISSIONS AND AGENCIES**

The Government of Jamaica operates 18 overseas missions at a cost of \$637 million (1997/98) and with a total staff complement of 259. Of the total staff complement, 127 or 49% are sent overseas from Jamaica and 132 or 51% are recruited locally. The purpose of overseas missions is to advance Jamaica's national interests in a cost effective manner. The Task Force concluded that the greatest need for permanent missions is within countries that are our major trading partners and/or have a large Jamaican community living there. There are two major points that have emerged in our investigations:

1. Permanent missions are exceedingly expensive to operate compared to alternative methods of representation such as the use of non-resident ambassadors/high commissioners and/or honorary consuls.
2. Once a permanent mission is opened there is always massive resistance to its closure because of political considerations as well as concerns about the perceived effect on national pride and the loss of career opportunities. Nevertheless, economic realities do affect the actions of other countries in this regard and Jamaica cannot afford to be an exception. For example, we understand that the recent economic crisis in South Korea has caused that government to close fourteen of its permanent missions around the world, including the one in Jamaica.

Rationalization of different sites in the same cities also offers a potential saving. Where Jamaica has, say, a diplomatic mission, a Tourist Board office and a JAMPRO office in the same city it ought to be more cost effective to have them share one location.

Further savings are feasible by more widespread use of e-mail for communication rather than faxes and phone calls with diplomatic bags used only for confidential information. An additional cost saving measure is to explore more proactively the use of shared facilities with other Caricom countries in distant outposts. The requests and the temptation to open new embassies will be inexorably driven by increased globalisation and world-wide political fragmentation. It will be impossible for small countries, such as ours to cope using the traditional approach. A new innovative strategy centred around fewer but more effective overseas missions needs to be implemented.

The use of more locally recruited staff would also reduce costs. The Ministry now sends secretaries, clerical and some administrative and accounting staff overseas to staff missions, with all the attendant costs such as relocating families and overseas allowances. There really is no need to post non-diplomatic staff. The tradition where persons are sent abroad as a perk must no longer be entertained. The Foreign Service should not be used as a platform for people to live abroad. Being “posted” is not an end in itself. The end is to represent Jamaica’s national interests in a cost effective manner.

RECOMMENDATIONS

1. That the following six missions be closed and replaced with non-resident Ambassadors/High Commissioners from the nearest country having a Jamaican permanent mission. In the case of Caracas, Havana, and Mexico City, the non-resident Ambassadors should be resident in Jamaica.

	Annual Cost 1997/98 '000s
• Moscow	19,548
• Lagos	11,905
• Bonn	39,870
• Caracas	24,550
• Mexico City	21,223
• Havana	17,020
TOTAL	134,116

2. That all non-diplomatic staff except for the secretary to the Head of Mission be recruited from the local communities instead of posting employees from Jamaica.
3. That diplomatic missions, Tourist Board, JAMPRO and other Government agencies operate from one “Jamaican site” in each city.
4. That the sharing of overseas facilities with other CARICOM countries be done

wherever practicable.

f) **ENGAGEMENT OF CONSULTANTS IN THE PUBLIC SECTOR**

Information made available to the Committee indicates the use of consultants for a wide range of activities at varying costs. In fact, the title of ‘consultant’ is used very loosely in many instances to describe persons employed on a contractual basis and paid as consultants to do work which is very often a normal line function. There is also the practice of re-employing retired senior civil servants, particularly at the Permanent Secretary level, to do a variety of tasks, for extended periods. While there is no doubt that consultancy services are needed to provide expertise and skills, particularly in reform oriented activities, and in specialist areas not readily found in the Public Sector, this needs to be managed to ensure that the Government gets value for money spent.

Stowe and Morgan, in describing the role external consultants should play in the reform process, write, “ **Consultants and advisers should be on tap, not on top; catalysts, not drivers . . . The Permanent Secretaries and senior officials of the relevant Ministries should hold the consultants and advisers to account for their input to the reform process; and wherever possible put them in a line of command under a senior officer, if not the Permanent Secretary, who should be accountable for ensuring the relevance and value-for-money of the consultant’s contribution.**”

The Ministry of Finance and Planning has issued clear guidelines stipulating that engagement of consultants should be on a competitive basis with agreed terms of reference, specified deliverables, performance contracts and payment only on satisfactory completion of assignment and evaluation of performance; all of which are consistent with the rules of best practice applied elsewhere.

The Ministry of Finance's guidelines are largely ignored with no consequences. Therefore the value of engaging consultants as a means of enhancing the capability of the Public Sector is effectively lost. The problem lies in management and accountability.

RECOMMENDATIONS

For the Government to secure better value for the money spent in engaging Consultants, we recommend:

1. That the guidelines for the engagement of Consultants issued by the Ministry of Finance and Planning be adhered to by Permanent Secretaries and Heads of Departments and Statutory Bodies.
2. That sanctions be applied for non-compliance.

g) METHOD OF PURCHASE OF PETROL AND OTHER SUPPLIES

The Government is one of the largest motor vehicle fleet owners in the country. Consequently, the effective and efficient management of its fleet in terms of downtime and fuel consumption is crucial.

The present manual system of supplying motor vehicles with petrol is over 30 years old. It is a system which operates by issuing coupons to the drivers of motor vehicles who, in turn, exchange these coupons for gas. Current annual expenditure on petrol amounts to \$250 million with the Police Department being the largest user with approximately 50 percent of the total.

It is widely acknowledged that despite the guidelines instituted by the Ministry of Finance and Planning to manage fuel consumption, there are concerns about the pervasive misuse and abuse inherent in such a system. In Ministries such as National Security and Justice which maintain a large fleet of vehicles, effective monitoring systems are essential. For example, within the Police Department the turn around time between issuing coupons to their redemption and subsequent analysis is painstakingly long and cumbersome. The system requires large numbers of persons just to handle the normal flow of paper. In addition, the paper-based system is open to human error, is not timely and limits management's effectiveness.

For the purchase of petrol the Ministry of Local Government, Youth and Community Development is piloting the usage of the **ADVANCE** card, an

electronic monitoring system available through Manufacturers Credit & Information Services Limited (MCIS). Although the project is not yet at a stage where definitive conclusions about its effectiveness can be drawn, preliminary investigations by the Committee indicate that this type of electronic debit card system has several advantages over the manual one, presently in operation.

The National Water Commission (NWC) and the Jamaica Public Service Company (JPSCo) having faced a similar problem with excessive fuel consumption and the associated costs of the fleet embarked on the **ADVANCE** card system.

National Water Commission

NWC has used the ADVANCE card system since 1991 with extraordinary results. In a fleet of approximately 350 vehicles, an overall reduction of approximately 30% was achieved in the fuel bill. Within twelve months, average consumption fell from 155 gallons per vehicle to 105 gallons – without compromising the service of the fleet. The system resulted in savings of approximately \$700,000 per month (\$8.4m per year), which was achieved using the administration of only one member of staff, while concurrently performing other normal duties.

Jamaica Public Service Company

JPSCo has derived considerable benefits from the use of the **ADVANCE** card system. These include:

- Elimination of internal gas coupons in addition to making direct payments to service stations thus reducing the number of person hours for processing and dealing with these transactions.
- More convenience with purchasing fuel from a wider range of service stations islandwide.
- Facilitating special arrangements with one of the marketing companies to obtain fuel at a discounted price which has resulted in savings of approximately \$1 million per annum.

Other noted benefits of the **ADVANCE** Card System are as follows:

- Increases control by facilitating the matching of vehicular particulars with information on the **ADVANCE** card as a prerequisite to supplying a vehicle with petrol.
- Offers online, real time processing that facilitates prompt analysis.
- Allows for limits to be set for each vehicle in relation to tank capacity, transaction period, dollar value and/or consumption pattern.
- Assigns lead times to each vehicle, in terms of its consumption pattern.
- Allows for input of an odometer reading, which should show reasonable consumption since the last transaction. Failing this the transaction is voided.
- The card could either be a debit/credit card. With the debit card an

amount is deposited and drawn down over time.

With the credit card, one draws down and pays at intervals with interest (current rate is 4% per month or 48% per annum).

It could be advantageous to pre-pay on the credit card, in which case it becomes both a debit and a credit card. This allows for a buffer in case of problems encountered in making payment. It would require strict management to ensure that the utilization of expensive credit becomes the exception.

- Payments are made to **MCIS** instead of a variety of suppliers.
- Reports can be configured to meet user needs for analysis and accounting purposes.
- Provides capacity to review performance by vehicle and type of vehicle based on history.
- Makes available comparative expenditure/usage by period and year to date.
- Reduces human support required and paper generated by Ministry for transport management.
- Frees administrative support for other needs.

A complete inventory is required for implementing the new system. **ADVANCE** card will help to provide a stimulus for a central motor vehicle asset registry to be updated, assuming serious intent on the part of implementers and support from the Public Sector leadership.

With increased scrutiny of motor vehicle usage, there is also a great opportunity for the reduction of the wear and tear and maintenance costs associated with the

fleet.

RECOMMENDATIONS

1. The **ADVANCE** card system should be implemented on a phased basis.
2. Persons assigned fully maintained motor vehicles should be first for conversion to **ADVANCE** card system. This would immediately reduce coupon use and reduce the related administrative requirements for tracking and accounting.
3. Implementing the system for fleet vehicles must also be done on a phased basis Ministry basis or fleet basis, dependent on size. The general principle to be followed will require that implementation occurs in smaller Ministries and Departments prior to larger Ministries and Departments. Consequently, it would be expected that the system be implemented in the Ministry of Finance and Planning before Ministry of Agriculture and before the Police Department for example.
4. Lessons learnt during implementation should be transferable. It is recommended that a select team including Ministry of Finance personnel leads implementation so that the implementation learning curve increases constantly i.e. avoid mistakes learned during implementation elsewhere.
5. Staff must be prepared for changing roles. The new job functions will shift from administrative to management and analysis. Staff must be provided with requisite skills to perform intended functions. With reduced requirement for administration of the paper-based system then opportunities will be created to use staff in more critical areas. The re-orientation and redeployment of existing

staff is a critical component of reaping the benefits of the new system.

6. Existing regulations must be examined for relevance. Obsolete and irrelevant regulations must be removed quickly and new simple and relevant procedures put in place.
7. Internal checks and balance system against **ADVANCE** card system must be established to ensure integrity of the system.

INDICATIVE SAVINGS FROM RECOMMENDATIONS

Based on our recommendations and taking into account the recommendations contained in the KPMG Strategic Reviews, we have prepared an outline of indicative savings the Government would make over a three-year period if the recommendations are implemented. (See Appendix IX). These savings are \$1,118 million in FY 1999/2000, \$2,386 million in FY 2000/2001 and \$2,514 million in FY 2001/2002.

The central recommendation of the Task Force is the need to initiate effective systems of accountability. We wish to re-emphasize that without this, it may be virtually impossible to ensure a sustainable system to curb waste or to reap the benefits of the savings that we have indicated.

List of Persons/Organisations Consulted

Carlton Davis	-	Cabinet Secretary
Shirley Tyndall	-	Financial Secretary
George Briggs	-	Permanent Secretary Ministry of Health
Barbara James	-	Permanent Secretary Ministry of Local Government, Youth & Community Development
Elaine Baker	-	Permanent Secretary Ministry of National Security & Justice
Marguerite Bowie	-	Permanent Secretary Ministry of Education & Culture
Stafford Neil	-	Permanent Secretary Ministry of Foreign Affairs & Foreign Trade
Richard Bernal		Jamaica's Ambassador to the United States of America
Representatives	-	Jamaica Confederation of Trade Unions Jamaica Civil Service
The Cabinet of Jamaica		

Written submissions were received from:

- The Ministry of Environment & Housing
- Carl A. McDowell
- Michael Wong
- The Ministry of Local Government, Youth & Community Development

SUMMARY OF GROUP DISCUSSIONS BY PUBLIC SECTOR EMPLOYEES ON PUBLIC SECTOR WASTE & INEFFICIENCY

The following represents findings of two focus group discussions convened to explore areas of waste and inefficiencies in the public sector. The opinions of both top management and other levels from various Ministries were sought. Discussions were held on January 22nd, 1999.

1. Rental and Space Utilization

- Space provided for travelling officers who spend most of their time outside the office is underutilized. Space rotation was suggested as a possible solution.
- Junk and derelict furniture occupy much needed space because of cumbersome system of disposal. System should be simplified and disposal effected.
- Accommodation required for special projects is sometimes rented long in advance of identifying the appointee. Better project planning is recommended.

2. High Utility Costs

- Unnecessary charges incurred when lights and computers are left on all night. Suggestion is to sensitize staff to the importance of conservation. Energy audits were also seen as needed at each Ministry to help identify areas of waste.
- Excessive telephone bills which cannot be verified as being for official business are tendered by top management. Suggestion

was to put a ceiling on allowable charges by paying the manager a monthly telephone allowance.

- Current attempts to reduce telephone charges have resulted in inefficiencies where well needed direct lines (high end users) in some Ministries have been discontinued. This should be revisited.

3. Use of Consultants

- Foreign consultants were seen as often necessary as they are tied to foreign grants but most are thought to be arrogant with poor knowledge of the local situation. Meanwhile they spurn the advice of the Jamaicans and blunder along. Additionally, high salaries paid to them make it impossible for the Government to maintain them at the end of the funding period.
- Ongoing practice of rehiring retired persons as consultants was also questioned. The feeling was that this stifles mobility in the system, however it was recognized that retirees had acquired vast knowledge which would still be useful. The suggestion was made to employ them for a limited period during which time they are to train the incumbent. Succession planning in the Public Sector was seen as weak and in need of strengthening.

4. Domestic and Overseas Travel

- Many overseas trips are not seen as benefiting the organization as employees to whom the overseas trip would be most beneficial are often not the ones who go. The process for

selecting who goes should be more transparent and rationalized to ensure some benefit to the organization.

- Travelling officers are known to pad their claims by taking other people in the field. Better control and monitoring by management is urgently needed.

5. Government Overseas Missions & Agencies

- These were seen as important and it was pointed out that a system of rationalization had already begun and that some had been consequently closed.

6. Abuse of Government Vehicles

- Staff who are paid vehicle upkeep and who do not qualify for Government owned vehicles are issued same, resulting in a double cost. Some fleet vehicles (other than those for security reasons) are licensed as private vehicles. Better control and monitoring of the system, along with routine audits is recommended.
- Government loan inadequate to purchase 4 wheel drive vehicle where needed. This results in a car being bought for which upkeep is obtained while the Ministry still has to provide a suitable 4 wheel drive vehicle for the job. Double costs incurred.
- Improper use of fleet vehicles - drivers take them home and use them for unofficial purposes when they should be parked after use; this results in the issue of gas coupons for unofficial

purposes. The established system of complete logging of coupons is often circumvented. Directors need to be more vigilant in seeing that the system is followed. This will facilitate proper monitoring.

- Drivers remain on the payroll even if the vehicles for which they were employed are out of use. Recommendation is that the driver be laid off during this period.
- Lack of preventative maintenance of vehicles leading to inefficiencies when they break down incurring high costs for repairs or replacement. System in place for maintenance is cumbersome. All vehicles in need of repairs or servicing must be assessed by Public Works which is inadequately staffed. It was suggested that this cumbersome system be changed.
- Drivers were also said to be used by Permanent Secretaries and senior directors for personal tasks, reducing their availability for official purposes. Suggestion was that all parties use the proper channel via the Registry. Abuse of fleet vehicles was seen as a major problem because established guidelines were not being followed. Recommendation is that greater vigilance on the part of the PS be instituted as well as regular audits to ensure the guidelines are followed. Posts in Ministries for Transport Managers should be filled.

7. Waste: Unnecessary Expenditure for Stationery, Furniture and Newspapers

- Numerous and unnecessary copies of a simple memo being made when a phone call could suffice; Waste and inefficiency

occur from malfunctioning photo copiers. These photocopiers need to be replaced urgently but they are often struck from the budget.

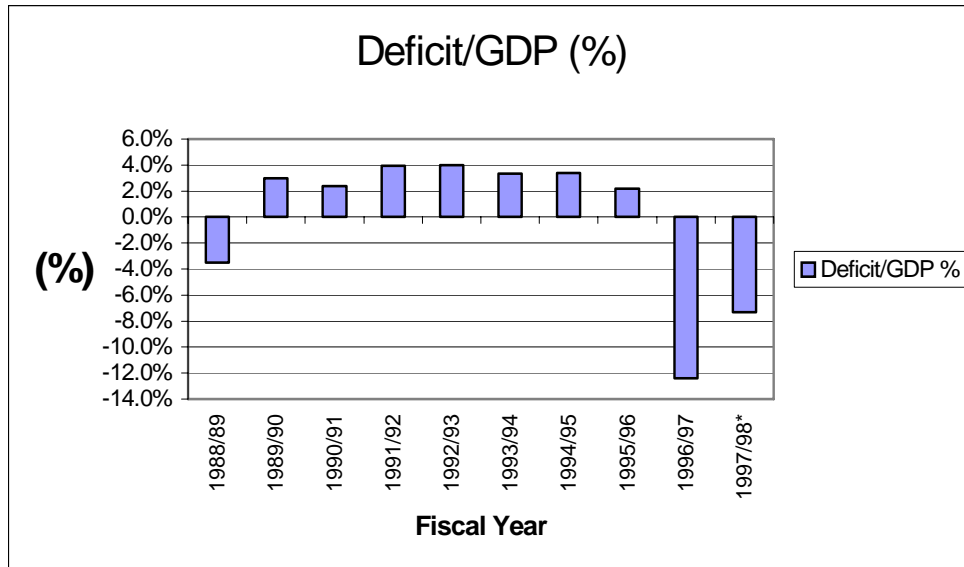
- Waste of \$millions of stationery and signage when Government ministries are renamed. Suggestion made to generate letterhead by computer as needed. Crest can be scanned instead of stocking printed letterheads which cannot be changed. This makes for greater flexibility when names of Ministries are changed.
- Changing out of furniture which is in good condition when new Ministers and Permanent Secretaries are assigned. Furniture is then put in storage where it deteriorates. It was suggested that this practice be discontinued.
- Too many personal newspapers provided for Directors even where they are located on the same floor and could share copies. Meanwhile other employees who may need to consult a newspaper do not have access to one. It was suggested that at least one copy of the newspaper be left in the Registry for use of other staff.

ECONOMIC BACKGROUND

Jamaica's economic program is designed around the fiscal and monetary policy objectives of single digit inflation, continued stability in the foreign exchange rate and lower interest rates. The FY1998/99 Budget has been developed within the context of a medium term plan with the intent to deliver a surplus by FY2001/02. The Government plans to limit wages and salaries in line with inflation, reduce debt servicing costs and increase the tax revenues by broadening the tax base without necessarily increasing tax rates. Consequently, the government must introduce greater economy and efficiency in its operations.

Jamaica has achieved mixed results in its economic performance. The exchange rate system has remained fairly stable, inflation has moderated and the Net International Reserves have continued to grow. However, difficulties that threaten to derail the economic programme continue to face the government as since 1996, economic activity has slowed down, growth as measured by real GDP has been negative and fiscal deficits have emerged following several years of running fiscal surpluses.

Jamaica recorded fiscal deficits of J\$24,697.1 million or -12.4% of GDP in FY1996/97 and J\$19,962.4 million or -7.3% of GDP in FY1997/98.



* Based on GDP estimate

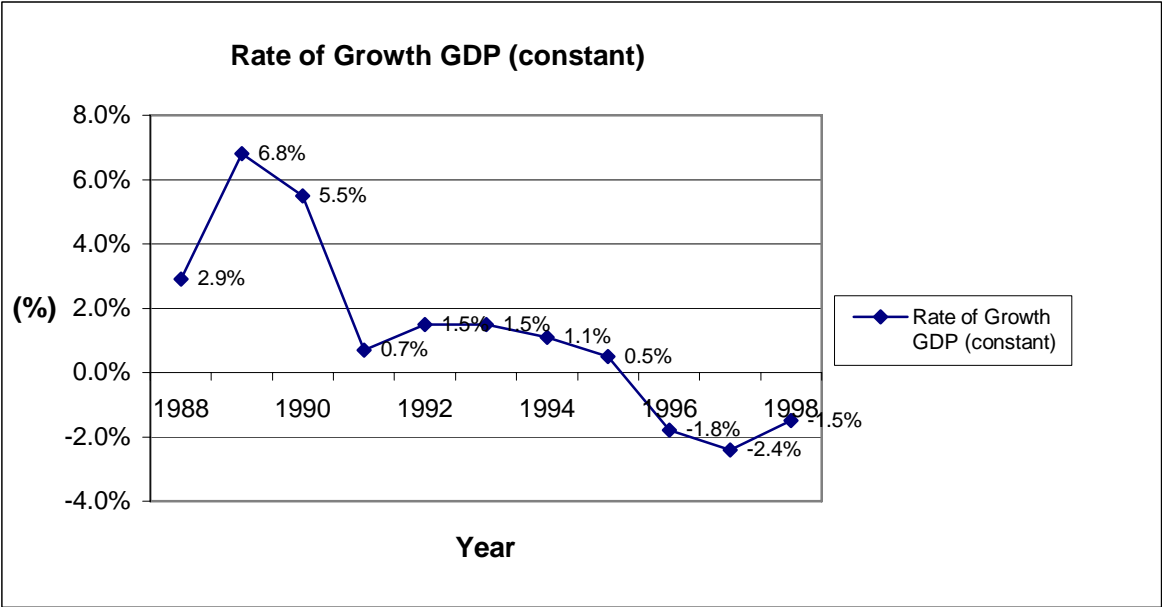
The main causes of these fiscal deficits were the cost incurred as a result of keeping inflation low including interest costs, escalating wage costs, increases in operational costs and restructuring Jamaica's financial and life insurance services sectors. The problem was substantially aggravated by the government's difficulty in raising loans from the international capital markets due to the global financial meltdown.

The deficits, if not corrected, threaten the sustainability of the gains achieved thus far and undermine the potential for growth in an increasingly competitive global environment with highly mobile human and capital resources.

The Government is thus faced with one of two choices, to continue the slow but certain decline due to its inaction or undertake programmes to quicken domestic reform so as to benefit from efficiency gains. The choice is obvious. The government must reduce public expenditure in line with revenues whilst improving its efficiency.

Preliminary indications suggest that the FY 1999/2000 Budget is likely to be further constrained by the costs of rising wages, the increasing debt burden, and the cash needs of the FINSAC Intervened Entities. An examination of the original 1998/99 Budget reveals the challenges facing the recurrent expenditure. Of the total recurrent expenditure (\$85,079 million), wages and salaries account for \$33,507 million (39.4%), interest payments \$34,436.2 million (40.5%) and recurrent programs \$17,134 million (20.1%).

Further reduction of expenditures is necessary to consolidate the gains achieved by the macro-economic program and to prevent a reversal.



Terms of Reference

- a) To conduct a review of certain aspects of the operations of Government and make recommendations to improve their efficiency and effectiveness.
- b) To review existing structures and procedures in the activity areas identified below.
- c) To identify exemplary performance and best practices applied elsewhere in similar areas.
- d) To identify areas of inefficiency and/or ineffectiveness requiring attention.
- e) To propose corrective measures to improve identified deficiencies.

Areas for specific attention

- a) rental and space utilization in Ministries and Departments.
- b) public utility usage and charges.
- c) allowances (overtime, supper, special duty, etc.).
- d) domestic and overseas travelling.
- e) rationalization of Government Overseas Missions and Agencies.
- f) the engagement of consultants in the public sector.
- g) method of purchase of petrol and other supplies

The committee is to submit a report by January 30, 1999.

Task Force Members

Douglas Orane - Chairman

Betty Ann Jones-Kerr

Carol Royes

Garth Kiddoe

Devon Rowe

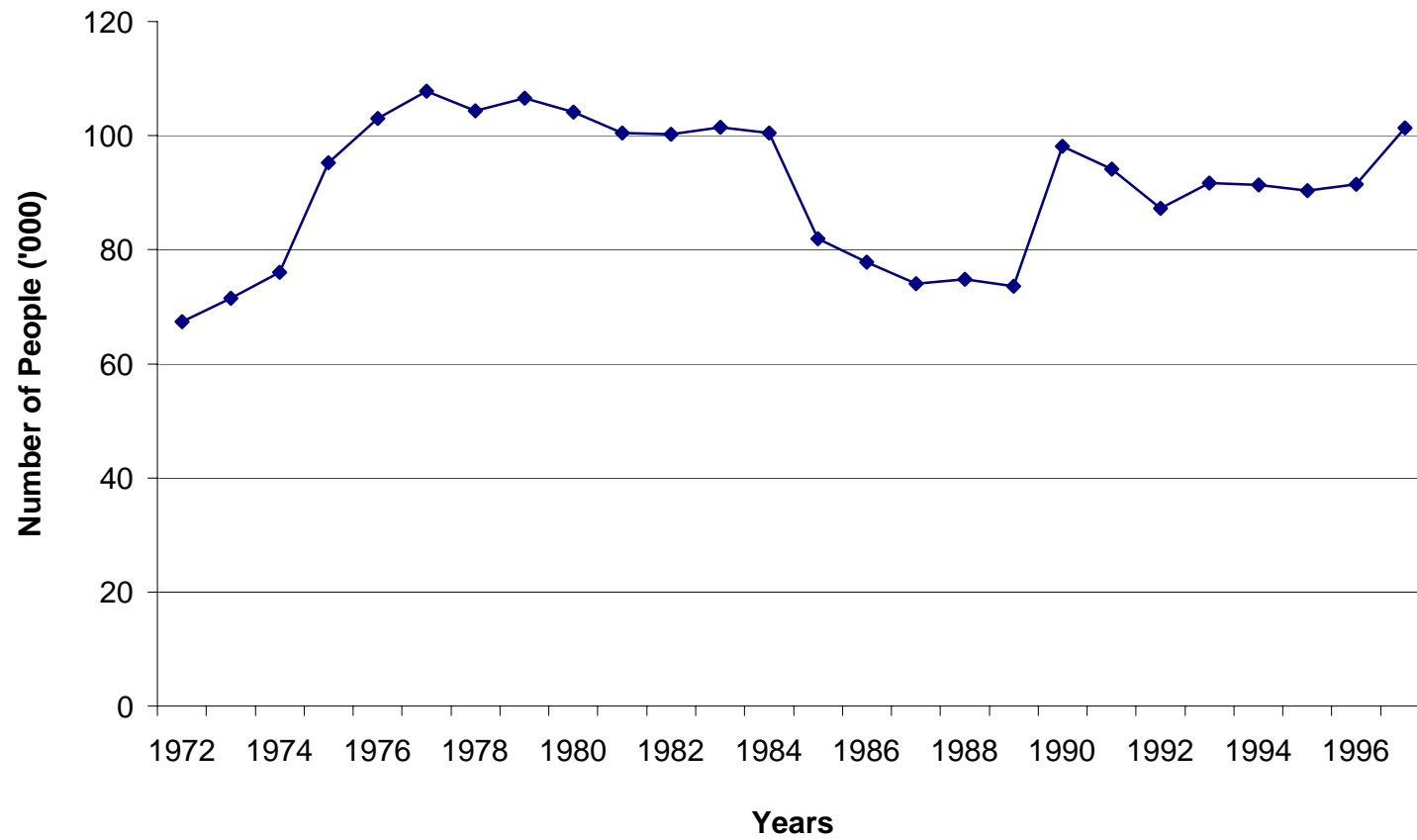
Stages in Change Management



SCOTT & JAFFEE CHANGE CURVE
Source: Scott & Jaffee

Courtesy of FGT Consultants
Montreal, Canada

Employment in Public Administration in Jamaica



**SPACE UTILIZATION IN A SELECTION OF
GOVERNMENT MINISTRIES**

	SQUARE FOOTAGE PER PERSON
OFFICE OF THE PRIME MINISTER	434
INDUSTRY & INVESTMENT	288
ENVIRONMENT & HOUSING	265
AGRICULTURE	237
HEALTH	215
FINANCE	170
EDUCATION & CULTURE	167
COMMERCE & TECHNOLOGY	146
MINING & ENERGY	145
WATER	143
LOCAL GOVT., YOUTH & COMMUNITY DEVELOPMENT	129
<u>COMPARATIVE BENCHMARK:</u> GRACE, KENNEDY & CO. LTD. CORPORATE OFFICES	130

INDICATIVE SAVINGS FROM RECOMMENDATIONS

SPECIFIC AREAS	RECOMMENDATIONS	COST SAVINGS (\$ millions)			NOTES
		1999/2000	2000/2001	2001/2002	
RENTAL & SPACE UTILIZATION	Put ceiling on sq. ft./sq. m. per person rented.				Potential savings not readily identifiable.
	Obtain at least 3 quotations from prospective landlords.				Potential savings not quantifiable. The quotations should be reviewed by a small committee to ensure rational decision-making and the achievement of value for money.
	Develop and implement a space rationalisation strategy for public sector entities.	55	93	128	Assumes no change in the number of staff but that space utilization is reduced to the benchmark of 130 sq. ft./person in 3 yrs moving from the present average of 217 sq. ft./person to 180 in Year 1, 154 in Year 2 and 130 in Year 3. These are considered to be conservative amounts as it is expected that savings may be achieved as existing lease agreements expire and new ones are negotiated.* Grace, Kennedy can be used as a benchmark.
PUBLIC UTILITY USAGE & CHARGES	Achieving a greater degree of accountability for cost effective spending through more realistic budgeting coupled with a more responsive reward system.		26	26	Assumes 5% savings per annum in water charges only.
	Explore and implement ways of utilizing available technology for improving the monitoring/managing of telephone usage in large Government offices.	7	13	13	Greater use of e-mail and call management technology. Such technology would provide management with information on the volume of telephone calls by originating department and/or destination (city, parish, country). Assumes savings of telephone charges of 5% in Year 1 and 10% in Years 2 and 3.*
	In competitive environments overseas, Missions and Agencies should use the most cost effective telephone system carrier.				Potential savings not readily quantifiable
	Aggressively expand the programme to effect greater Environmental Stewardship in Government Operations.	35	69	104	To be done with an emphasis on energy efficiency and including: 1) Developing a financing plan & implementation strategy 2) Conducting energy audits at facilities 3) Establishing procedures & guidelines for purchasing & installing efficient equipment and for proper maintenance practices 4) Enforcing the Energy Efficient Building Code for all new Government buildings. Assumes savings in electricity charges of 5%, 10%, and 15% respectively in Years 1, 2, and 3 and that any expenditure required to generate the savings will be externally funded.*
ALLOWANCES	Renegotiate the terms & conditions of employment of all groups.	-	72	72	Estimate based on KPMG reports dated 17 Dec 1998 on the Ministry of Health only.
	Streamline/Simplify collective bargaining process by rolling most allowances into salary.				Potential savings not readily quantifiable

INDICATIVE SAVINGS FROM RECOMMENDATIONS

SPECIFIC AREAS	RECOMMENDATIONS	COST SAVINGS (\$ millions)			NOTES
		1999/2000	2000/2001	2001/2002	
TRAVELLING - OVERSEAS	Placement of personnel with right skills & expertise in overseas missions and utilizing them more effectively.				Potential savings not quantifiable
	Adequate preparation by delegates well in advance of missions/departures.				Potential savings not quantifiable
	Greater use of teleconferencing supported by fax and e-mail.				Potential savings not readily quantifiable
	Greater collaboration between Ministry of Foreign Affairs and other Ministries.				Potential savings not quantifiable
TRAVELLING - DOMESTIC	Tighter management and elimination of bad practices (Ministry of Health).	100	100	100	Estimate based on KPMG reports dated 17 Dec 1998 on Ministry of National Security only.
	Implement greater accountability and cost control in other areas of the Civil Service.	270	406	406	Assumes savings of 10% per annum in Year 1 and 15% per annum thereafter and excluding the savings in domestic travelling by KPMG in respect of the Ministry of Health.*
RATIONALISATION OF GOVT. OVERSEAS MISSIONS & AGENCIES	Close six missions: Moscow, Lagos, Bonn, Caracas, Mexico City, Havana.	50	134	134	Savings are net of provisions for relocation costs of \$17M per annum in Years 1 and 2 and assuming less than 50% of the estimated potential savings are achieved in Year 1.
	Recruit all non-diplomatic staff from local communities of missions.				Potential savings not readily quantifiable.
	Diplomatic missions, Tourist Board, JAMPRO and other Government agencies operate from one "Jamaican site" in each city.				Potential savings not readily quantifiable.
ENGAGEMENT OF CONSULTANTS IN THE PUBLIC SECTOR	Adherence to well documented guidelines for the engagement of Consultants issued by MOFP.				Adherence by Permanent Secretaries and Heads of Departments and Statutory Bodies.
	Apply sanctions for non-compliance.				Potential savings not quantifiable. These should be reviewed by a small committee to ensure rational decision-making and the achievement of value for money.
METHOD OF PURCHASE OF PETROL & OTHER SUPPLIES	Implement the ADVANCE card system with internal checks & balances.	13	25	38	Assumes savings of 5%, 10%, and 15% in Years 1, 2, and 3.*
OTHER	Per KPMG Report on the Ministry of Health dated 17 Dec 1998.	330	560	590	
	Per KPMG Report on the Ministry of National Security & Justice dated 18 Dec 1998.	258	858	873	Estimate is less proposed savings re avoiding the recruitment of an additional 1,500 police officers and ceasing operations of the power plant.
	Absorption of the G.O.J. staff bus service into the new bus system.	-	30	30	Assuming increased efficiencies in the new bus system there will be no need to carry on the G.O.J. staff bus service resulting in savings of at least the amounts budgeted for maintenance.*
TOTAL POTENTIAL SAVINGS		1,118	2,386	2,514	

* Savings based on the 1998/99 Budget